MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By **CHAIRMAN ERNEST BERGSAGEL** on January 4, 1995, at 8:00 a.m.

ROLL CALL

Members Present:
Rep. Ernest Bergsagel, Chairman (R)
Sen. Ethel M. Harding, Vice Chairman (R)
Sen. B.F. "Chris" Christiaens (D)
Rep. Matt McCann (D)
Rep. Tom Zook (R)

Members Excused: None

Members Absent: None

Staff Present: Nan LeFebvre, Office of the Legislative Fiscal Analyst
Jane Hamman, Office of Budget & Program Planning
Tracy Bartosik, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: HB 10, HB 12

HEARING ON HOUSE BILL 10

Tape No. 1, Side A

ENERGY DIVISION OF THE DEPARTMENT OF NATURAL RESOURCES

Van Jamison, Administrator for the Energy Division of Department of Natural Resources, stated that he was an advocate of HB 10 and had two goals. The first to advocate the appropriations that are contained in HB 10, in particular those that are being requested by the Department of Natural Resources. The second goal, to provide some background information with regard to what kinds of projects are eligible for funding under the terms of the overcharge settling agreements that have been made over the last several years. **Mr. Jamison** stated that there are not as many oil overcharge monies as there used to be. He looked in retrospect

to four or five sessions ago, where there was approximately $12 million in the oil overcharge bill. This bill contains appropriations for about $250,000. Because there are currently three major settlements which are outstanding and will probably not be settled before this biennium ends, it may be that the 1997 legislature receives as much as a $1.5 million in oil overcharge requests; that assumes that those settlement agreements will occur. There are proposals to eliminate the Department of Energy. If that happens the pursuit of these settlement dollars would end.

Mr. Jamison said that there are two kinds of oil overcharge funds that are being appropriated in HB 10. There are carryovers that are being appropriated or reappropriated in section 6, and there are new appropriations which are being requested in sections 4 and 5. **EXHIBIT 1**

SEN. ETHEL HARDING asked if the total funds as seen in section 6 of HB 10, are already broken down by prior legislative action if the committee chooses that action. Mr. Jamison's reply was yes.

CHAIR BERGSAGEL asked **Mr. Jamison** to go through the amendments to HB 10. **EXHIBIT 2.**

Mr. Jamison remarked that items 9, 10, and 11 are amendments that would need to be made whether or not the committee elected to appropriate funds.

Jane Hamman stated that the reason the legislative council made the changes for page 4 was that they wanted it to be all inclusive in terms of the conditions and definitions upon the appropriations.

CHAIR BERGSAGEL stated that the intent of the total amendment was to clarify language and then also add in the Ethanol producers. He then asked for further questions from the committee. There was none.

ENERGY SHARE OF MONTANA

Melisa Kaiser, Energy Share of Montana, testified and provided a written statement. **EXHIBIT 3.**

DEPARTMENT OF NATURAL RESOURCES

Tom Livers, Department of Natural Resources stated,"The Institutional Conservation Program from our perspective is a very good energy program, a good government program, and has been over the years a good job creation program." He also stated that the appropriation in section 5 would support this program. The Department of Natural Resources was asked by the appropriations committee to do a couple of things when they came back for this

legislative session. One of the things they were asked to do is to increase the State Building Energy Retrofit program. The other thing that they were asked to do is to develop a program for schools and hospitals that is similar to the kind of program that they run for the state building program.

Over the course of the last two years they took advantage of new flexibility that was provided in the federal regulations for the Institutional Conservation Program to do just that. In the old days the Institutional Conservation Program was a one-to-one grant program in which the Department of Natural Resources provided one dollar from federal funds, and the participating institution provided one dollar from their own funds to do the efficiency analysis of retrofits that have been identified in the energy engineering analysis. Typically they were able to serve between six and eight schools and hospitals over the course of the year and only a portion of those measures actually made economic sense because the money ran out before we got to the end.

Over the course of the last two years they took advantage of this flexibility and began to work with the Office of Public Instruction, the Board of Investments and the Montana Power Company, to put together what is now a partnership program called E=Mc2 (efficiency means managing costs carefully). There has been an add running in the Helena Independent Record encouraging schools to become part of the program. The program operates by using the federal funding that the Department of Natural Resources receive, and/or the oil overcharge funding, to do the engineering analysis. Very few schools and hospitals want to spend money on studies if they don't know for certain that they are going to have energy saving measures in the end. This appropriation takes care of that.

The Department of Natural Resources makes a recommendation to the institution and is able to tell them what measures make sense as a package. Then they sit down with the institution and the utility company and identify what kind of contribution the utility company can make that makes sense from its perspective as an energy resource acquisition. They then send the school or hospital to the board of investments who, through the intercap program, will lend the necessary funds to complete project.

Mr. Livers then passed out a document describing how Carroll College in Helena participated in this program. He remarked that the letter basically described Carroll College's gratitude for the program. The Department of Natural Resources is now working on 37 schools for the program and is doing a retrofit of all those participating in the program.

Mr. Livers wrapped up by saying that he encouraged the committee to provide the appropriation called for in section 8 to the Institutional Conservation Program. Two hundred thousand dollars is being requested. If they are able to get twenty-to-one

leverage, which they have been able to get in the past, that means approximately $4 million worth of retrofit projects will take place in schools and hospitals around Montana over the course of the next two years.

END OF TESTIMONY FOR HB 10

HEARING ON HB 12

Tape No. 1, Side A: 675

REP. JOE QUILICI explained that this bill was an energy conservation program and was implemented in 1989. The program got its start by using oil overcharge monies. **REP. QUILICI** stated that what this bill does is implement energy conservation programs for state buildings, using general obligation bonds for funding. The savings from the energy retrofit shows enough savings to pay off the bonds. He stated that it was one of the best programs he had ever seen as far as energy conservation was concerned. Not only does it conserve this resource, but it also saves general fund money. **REP. QUILICI** remarked that the **Department of Natural Resources and Conservation (DNRC)** had done an admirable job since 1989. They have done energy audits on buildings in the state of Montana and found out which buildings were good to retrofit. He also stated that this bill will sell bonding of 2.5 million dollars each fiscal year of 1996 and 1997. They will by paid off with ten year general obligation bonds. He closed by saying that it has been an ongoing piece of legislation because we want to make sure that the legislature looks at this program every session. **EXHIBIT 4**

DEPARTMENT OF NATURAL RESOURCES

Tom Livers, testified and provided a written statement. **EXHIBIT 5**

CHAIR BERGSAGEL wanted **Mr. Livers** to explain more in detail where the $100,000 came from, because he believes **Mr. Livers** had told him earlier that he was going to sweep out the savings from that and put it into the Long-Range Building Program.

Mr. Liver's reply was that the money comes from an original appropriation of $500,000 that was received in 1989. That money is only used when there is a specific financial advantage to avoid using bond proceeds for that purpose. It is a different source of funding than the savings. The savings are a result of energy savings after these projects are done. It comes out of participating agencies' utilities appropriations and is transferred into a debt service account. It is set up so they expect the savings to exceed the actual money needed for debt service. They do this for two reasons. First, so there can be a

net gain to the state. The second reason is that it is also a risk pool so if there are any projects that either don't perform or are delayed for some reason, they can adjust their savings so that the agencies are not unfairly penalized.

CHAIR BERGSAGEL asked **Mr. Livers** how much money was left in that original appropriation. **Mr. Livers** responded to that question by saying $100,000 was left.

REP. TOM ZOOK asked how the department prioritized the facilities to use those dollars. **Mr. Livers** said they will start by going with the most obvious, those being the ones they know are in the worst shape.

(End of Tape 1, Side A) (Break in recording until approx. 610)

DEMAND SITE ENGINEERING FOR MONTANA POWER

Joe Schwartzenberger, director of Demand Site Management for Montana Power testified and provided written testimony. **EXHIBIT 6.**

DEPARTMENT OF ADMINISTRATION

Debra Fulton, Administrator of the General Services Division of the Department of Administration, testified. **EXHIBIT 7.**

CHAIR BERGSAGEL asked if it was correct that most of the Department of Social and Rehabilitated Services (SRS) was funded with Medicaid money. **Ms. Fulton** responded by saying that there is general fund and federal funds and that they are matched.

CHAIR BERGSAGEL questioned whether it was alright for them to be doing energy retrofits on that particular building when they might have to pay back some of the savings to the federal government. **Ms. Fulton** answered that they have done a specific object of expenditure for this program and sent a schedule to the agencies which mandated how many dollars they budget for this particular item. Therefore, she is sure they are all clear.

SCHOOL DISTRICT #1, GREAT FALLS, MONTANA

Nobby Johnson, Supervisor of Buildings and Grounds, School District #1, Great Falls, Montana, passed out a handout describing the savings in his particular school district in the past year. **EXHIBIT 7.**

REP. ZOOK asked **Mr. Johnson** if this program would have been treated as a pilot program and had they accomplished those

savings would the school board have made an increased effort to go on with energy conservation. Is it an ongoing program anyway? **Mr. Johnson** responded that they have been "going at" this for several years and it was with the encouragement of the oil overcharge money.

REP. ZOOK wanted to know if all the savings were a direct result of this program or had the district accomplished some of the results prior to it. **Mr. Johnson** said that it was a combination of both, but mostly due to the program.

PRIME TIME PAINTING

Byard Leonard, owner of Prime Time Painting, said, "I generally cringe when I hear of a new government program, but this one is different." He also stated that he thought the plan was "brilliant." "Any time you can invest money to save money and have that savings pay for the service on the debt and more, you are heading in the right direction," remarked Mr. Leonard.

CHAIR BERGSAGEL stated that the committee would be taking action on these bills Wednesday, January 11, 1995.

ADJOURNMENT

Adjournment: Meeting was adjourned at 10:25 a.m.

ERNEST BERGSAGEL, Chair

TRACY BARTOSIK, Secretary

EB/tb

LONG RANGE PLANNING

Joint Appropriations Subcommittee

ROLL CALL DATE 1-4-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ernest Bergsagel, Chairman	X		
Rep. Matt McCann	X		
Rep. Tom Zook	X		
Sen. Ethel Harding, Vice Chairman	X		
Sen. Chris Christiaens	X		

EXHIBIT #1
DATE 1-4-95
HB 10

Appearing to advocate the appropriations recommended in HB 10 and to provide information regarding funding eligibility under the provisions of the various overcharge settlement agreements

Generally, there are two kinds of oil overcharge funds appropriated in HB 10 - CARRYOVERS FROM PREVIOUS OIL OVERCHARGE APPROPRIATIONS (SECTION 6) AND NEW APPROPRIATIONS (SECTIONS 4 AND 5)

Where carryovers are proposed to be reappropriated the Legislature's discretion is more limited than where new appropriations are concerned. With respect to carryovers, the Legislature may choose to reappropriate the funds or not reappropriate the funds, BUT it cannot move the money from one program to another. This is because the settlement agreements specify that the oil overcharge funding must supplement and not supplant money that would otherwise be available to the five eligible federally funded programs. Since these oil overcharge funds have already been incorporated into eligible federal program plans they cannot be removed or transferred without violating settlement provisions.

Where new appropriations are concerned the Legislature has greater discretion. It can:

- appropriate the funds to one of the five eligible federal programs; the Institutional Conservation Program, the State Energy Conservation Program, the Energy Extension Service, the Low-Income Weatherization Program, or the Low-Incone Home Energy Assistance Program.

- appropriate the funds to any energy related program that has already been approved by the U.S. Department of Energy under Subpart V proceedings or to any energy related program that the Secretary would approve.

Generally, these projects should provide timely restitution to consumers who are likely to have been harmed by oil overcharge violations between 1973 and 1981.

HB10 establishes priorities amongst the various appropriations that are made in the bill with the appropriation in Section 4 having the highest priority and the appropriation in Section 5 have the lowest priority.

The bill also specifies that the appropriations are biennial appropriations and provides for the appropriations that are made to be reduced if the oil overcharge revenues are not as large as are currently projected.

The Institutional Conservation Program is a good energy program, a good government program, and a jobs creation/economic development program. The appropriation to the program, contained in Section 5, should be supported.

Last session, the Legislature instructed the DNRC to develop a schools retrofit program similar to the State Buildings Energy Retrofit Program. Over the course of the last year, DNRC has used new flexibility that was provided in the federal program to develop a schools retrofit program similar to our state buildings program. The program is actually a partnership among the DNRC, the Office of Public Instruction, the Board of Investments, and, in the Montana Power Company's service territory, the Montana Power Company. In MPC's service territory, the program partnership has actually been formalized to the point that the Institutional Conservation Program has lost its own identity and been transformed into the E=mc2 program. HANDOUT THE ADVERTISEMENT.

The program works this way:

- DNRC pays for engineering studies to identify cost effective energy efficiency improvements that could be installed in participating schools. The reports are completed by private engineering firms.
- DNRC reviews the reports and recommends a package of energy improvements to the school.
- DNRC, the school and the utility that serves them negotiate the contribution that the utility will make to the project, if any.
- The school borrows the remaining funds from the INTERCAP, installs the meausres using local electricians, carpenters, and other craftsment. Then, repays the borrowed amount using the energy savings from the project.

Carroll College example. Handout the thank you note and stress the jobs component.

By changing the program, we are now able to serve many more schools or quickly and with a more comprehensive set of retrofit measures. HANDOUT THE LIST OF PARTICIPATING SCHOOLS.

Connie ✓ Van ✓
Georgia ✓ Return to Tom

CARROLL COLLEGE

Vice President for Finance, Administration & Facilities

RECEIVED
OCT 18 1994
DNRC

EXHIBIT 1
DATE 1-4-95
HB 10

To: Tom Livers, Chief
Conservation and Renewable Energy Bureau

From: Lynn Cantliffe Etchart
Vice President

Date: October 13, 1994

Subject: Energy Conservation Project

Thank you for your part in the Carroll College Energy Conservation Project. The energy audit funded by the DNRC led to the implementation of a $1 million energy conservation project which affects almost every building on campus.

We are very grateful for your support, and for the support of Montana Power Company and others who made this project possible. I am glad that the college can make its contribution to Montana's future through energy conservation, and its contribution to the present by creating work for 48 of our residents.

To show our appreciation to our supporters, the college placed an advertisement in the September 9, 1994 edition of the Independent Record. A copy is enclosed for your files.

Thank you.

THANK YOU

HELENA

for

SUPPORTING

CARROLL COLLEGE'S

TRADITION *of* EXCELLENCE

We're Now Making
More than $1 Million of Improvements
in Energy Efficiency

MAJOR CONTRIBUTORS

MONTANA POWER
MARRIOTT CORPORATION
JOHNSON CONTROLS
MONTANA DNRC

CONTRACTORS

ALLEN ELECTRIC
AMERICAN SHEET METAL, INC.
MACBALL INDUSTRIES
NATARE CORPORATION
POLAR ELECTRIC
RON HALL SPRINKLERS
AMERICAN PLUMBING AND HEATING
CTA ARCHITECTS AND ENGINEERS
MONTANA SUNSCREEN PRODUCTS
NORTHWEST FIXTURES CO.
RGO, INC.
TRI-COUNTY ATLAS

A special thank you to First Bank, Norwest Bank, and the Carroll College maintenance staff for their continued support and cooperation.

EXHIBIT 2
DATE 1-4-95
HB 10

Amendments to House Bill No. 10

For the Joint Appropriation/ Finance and Claims Long-Range Planning Subcommittee

January 4, 1995

1. Page 1, Line 10.
Following: "through"
Strike: "8"
Insert: "9"

2. Page 1, Line 13.
Following: "through"
Strike: "8"
Insert: "9"

3. Page 3.
Following: line 9
Insert: "News Section. Section 5. **Petroleum substitutes from agricultural products -- appropriation.** There is appropriated $10,000 from the stripper well payments contained in the federal special revenue fund to the department of natural resources and conservation to foster expanded use of alternative transportation fuels derived from agricultural products that may reduce petroleum consumption, produce environmental benefits to Montana, and result in potential new cash crops for Montana farmers. Money expended under this appropriation must be matched at least dollar for dollar with private or federal revenue, or both."
Renumber: all subsequent sections.

4. Page 3, line 26.
Following: "through"
Strike: "6"
Insert: "7"

5. Page 3, line 27.
Following: "sections 4"
Strike: "and 5"
Insert: "through 6"

6. Page 4, line 1.
Following: "section"
Strike: "6"
Insert: "7"

7. Page 4, line 4.
Following:"(1)"
Strike: "The appropriation in [section 4] is given a higher priority than the appropriation in [section 5]."
Insert: "The appropriations in [sections 4 through 6] are approved in order of priority as they appear in [sections 4 through 6]."

8. Page 4, line 6.
Strike: "the program that is funded by [section 4]"
Insert: "one or more of the programs that are funded by [sections 4 through 6]"

9. Page 4, line 8.
Strike: "1 through 7"
Insert: "4 through 6"

10. Page 4, line 9.
Following: "sections"
Strike: "1"
Insert: "4"

11. Page 4, line 10.
Following: "through"
Strike: "7"
Insert: "6"

12. Page 4, line 18.
Following: "sections 4"
Strike: "and 5"
Insert: "through 6"

13. Page 4, line 23.
Following: "sections 4"
Strike: "and 5"
Insert: "through 6"

EXHIBIT #3
DATE 1-4-95
HB 10

Energy Share of Montana
2021 11th Avenue
PO Box 9280
Helena, Mt. 59604
406/442-4900
FAX 406/442-4300
800/777-7589

Greetings to Chairman Bergsagel and to the whole Long Range Planning Committee,

Thank you for this opportunity to come before you and express Energy Share's appreciation for being included in the H.B. # 10. We want to reassure you that we have been grateful stewards of the oil overcharge funds in the past several years and look forward to continuing in that role.

Energy Share is a partnership of business, human service providers and private citizens that was started over a decade ago to assure that all Montanans are warm throughout our cold winters. The Department of Social and Rehabilitative Services has long sponsored our receipt of oil overcharge funds to help us to serve a portion of the population that federal and state funds do not serve. The households that fall within 125% and 150% of poverty.

As we enter this legislative session there are many facts that are unknown to all of us, and many things that are still unclear about how Montana will fill expected gaps in human services. There are some facts that I can assure you of though and that is we currently have thousands of households in Montana that are classified as "working poor". These families struggle from paycheck to paycheck, many of them making difficult decisions between heating and eating.

Last year Energy Share was able to serve 207 such families with assistance derived from the $50,000 in oil overcharge funds. We added to those dollars over $10,000 in privately raised monies in order to fulfill the need that existed. We are concerned that the proposed cut to our current allotment will surely leave an unmet need for those families not served by LIEAP. Energy Share is and will continue to work hard to raise the shortfall by private fundraising efforts.

I am here today to thank you for remembering these families with the requested $25,000 per year over the next biennium as is asked for in House Bill #10, and to request that if there is any extra funds that may come available we would be more than willing to direct those funds to the needy Montanans who fall between the cracks. The need is great and we will work hard to serve all Montanans who need energy assistance to stay warm. Thank you!

EXHIBIT #1
DATE 1-1-95
HB 12

MONTANA POWER COMPANY
HOUSE BILL 12
HANDOUT

SUMMARY OF BENEFITS - GENERAL

* The program stimulates partnerships between the public and private sectors. Through these partnerships innovative programs to encourage energy efficiency have been designed.

* The program encourages the public and private sectors to work together to identify and prioritize energy conservation projects in State facilities. This cooperative effort serves to advance the goals of both sectors.

* The program allows for leveraging of private sector funding so a greater number of facilities are affected.

* Multiple funding sources allow for a greater number of efficiency measures to be implemented.

THE COGSWELL BUILDING PROJECT

Measures Implemented

* The heat source for production of distilled water for the lab was switched from electricity to natural gas
* The electric hot water heater serving the lab was removed
* Heating, Ventilating and Air Conditioning, domestic hot water and lighting system controls were upgraded
* The low pressure boiler was fit with a power burner
* The Heating Ventilating and Air Conditioning systems for wings A ,B and C were upgraded
* The existing high pressure boiler was replace with a more efficient boiler
* Lighting throughout the facility was replaced with more efficient equipment

Project Economics

Project Cost	$310,000
Montana Power Company Funding	$ 90,000
State Buildings Program Funding	$220,000
Estimated First Year Utility Savings	$ 35,000

Project Specific Benefits

* Reduced building operating costs
* Increased lighting levels
* Improved lighting quality
* Improved Temperature Control
* Improved Indoor Air Quality

EXHIBIT 5
DATE 1-4-95
HB 12

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
TESTIMONY ON HOUSE BILL 12

INTRODUCTION

My name is Tom Livers. I'm representing the Department of Natural Resources and Conservation, and I'm here to support House Bill 12.

In 1989 the Montana Legislature unanimously established the state buildings energy conservation program. This program sells general obligation bonds to pay for energy efficiency improvements, then uses the energy cost savings to cover debt service on the bonds.

Each biennium the Department of Natural Resources and Conservation presents the Governor's Office and the Legislature a proposed energy retrofit package. House Bill 12 contains the retrofit package proposed by DNRC and recommended by the Governor's Office for the 1996-97 biennium.

WHAT HOUSE BILL 12 DOES

This bill saves state government money. It reduces operating costs in state buildings by increasing their energy efficiency. In doing so, the program creates private sector jobs, and saves the state more money than it spends.

I'd like to call your attention to the chart I've handed out. The top line shows current utility costs for the facilities we're proposing to retrofit, projected over twenty years. This is the projected cost to the state if we do none of this work.

The lower line shows the projected annual cost if the bonds are sold and the energy conservation work is done. It includes both the reduced utility costs and the bond repayment. In this example, the bonds are retired in ten years, which accounts for the sharp drop halfway through on the lower line.

The area between the two lines represents the estimated savings to the state. As you can see, the state realizes a small net savings, even while the bonds are being repaid, and considerably greater savings once the bonds are retired.

In this manner, the program operates as a profit center for state government, even in the short term. Last year, after paying debt service and operating expenses, the program transferred $194,488 of excess savings into the state's long-range buildings program.

I think this chart clearly points out that there is a significant cost to the state associated with not doing this work. In other words, the cost of doing nothing is greater than the cost of doing the work proposed in this bill. We've reached the point where we can't afford the cost of doing nothing.

Specifically, House Bill 12 does four things:

1. It authorizes up to $5 million in general obligation bonds for energy conservation projects for the coming biennium.

2. It appropriates $600,000 in bond proceeds to the Department of Natural Resources and Conservation to pay for engineering analysis, design work, training of state building operators and program administration.

3. It reappropriates $100,000 in oil overcharge money to the Department of Natural Resources and Conservation for this same purpose.

4. It streamlines and reduces program administration.

I'll speak briefly to each of these actions.

1. **Authorization for up to $5 million in general obligation bonds for the 1996-1997 biennium.**

   The $5 million in bond proceeds will fund energy efficiency improvements at several state facilities:

   - Montana Tech of the University of Montana
   - Montana State University at Billings
   - University of Montana at Missoula
   - Veterans' Home, Columbia Falls
   - Kalispell National Guard Armory
   - Helena National Guard Armory
   - Capitol Complex:
     - Scott Hart Building
     - Office of Public Instruction Building
     - Mitchell Building (heating system)
     - State Capitol

   As you can anticipate, some of these projects may be impacted by other restoration and maintenance work proposed this session. My department will continue to work closely with the state's Architecture & Engineering Division to ensure that all work is coordinated and that we minimize costs and maximize work accomplished. Where appropriate, these energy projects will be incorporated into larger maintenance and restoration efforts coordinated by A&E. The energy projects proposed here make economic sense regardless of what action the Legislature chooses to take on state maintenance and restoration projects. I've included in your packet a summary of these projects; at the end of the testimony I would be happy to answer questions on them.

Last session the Legislature directed the Department to ramp up this program, thus capturing more energy and cost savings sooner. The increase this biennium from $3 million to $5 million in bond authorization reflects this ramp up. The second action in HB 12 -- the appropriation of $600,000 in bond proceeds -- also reflects this ramp up.

2. Appropriation of $600,000 in bond proceeds.

This past October the Department issued $1.5 million in general obligation bonds authorized last session to fund retrofits at several state buildings. We plan to issue up to an additional $1.5 million this spring for more projects. This provision in HB 12 would appropriate $600,000 of the proceeds from these two issuances to pay for engineering analysis, design work, training of state building operators and program administration. Most of this work is contracted out to private sector engineers and architects.

Each biennium, a portion of the bond proceeds is set aside to pay for these costs for the next cycle of buildings. In this manner the program reseeds itself and is able to continue to operate without any general fund expenditures. This $600,000 will enable the Department to operate the program at the ramped up $5 million level requested by the 1993 Legislature.

3. Appropriation of $100,000 in oil overcharge money.

This program was originally seeded with $550,000 in oil overcharge money to pay for engineering analyses, design work, training of state building operators and program administration. HB 12 reappropriates unspent oil overcharge money to be used for the same purposes this biennium, which also reduces and delays the amount of bond proceeds needed for these activities, thus reducing financing costs.

4. Streamlining and reducing program administration.

When we first designed this program, we patterned it after the state's existing long-range building program. Parts of that process work well for this program, other parts don't. The administrative changes outlined here reduce and streamline program administration.

SUMMARY

- This bill increases the efficiency and reduces the cost of state government. It saves both energy and money.
- It provides needed improvements to more than a dozen state buildings.
- The retrofit projects provide work in the private sector for local engineers, architects, craftsmen and suppliers.

It's often said that government should operate more like a business. In certain areas, that's possible. This is one place in which government does operate like a business. This program actually is a profit center for state government. It makes more money than it spends. And, in the process, it saves energy, creates jobs, and provides needed improvements to state facilities.

Previous legislatures have been so supportive of this program they have given us two specific directives: (1) to ramp up this program, and (2) to replicate this concept for other government facilities, starting with schools. We have managed to meet both directives.

To date we've completed 18 retrofits under the State Buildings Energy Conservation Program, and another 20 are in progress. I have included a list of these projects in your packet. We have ramped this program from $3 million per biennium up to $5 million. This is the maximum increment we believe feasible at this time while still maintaining a positive cash flow and ensuring program quality without increasing staff.

As for schools, during the testimony on House Bill 10 I mentioned $E=mc^2$, the energy program for schools developed and operated by the Department of Natural Resources and Conservation, the Montana Power Company, the State Board of Investments and the Office of Public Instruction. Like the State Buildings Program, $E=mc^2$ is saving energy and tax money while creating work in the private sector.

The State Buildings Energy Conservation Program was seen as a good idea each of the last three sessions. It saves the state money, and it costs the state less to do this work than it does not to do it. The program was designed so that the Legislature has an opportunity to review and approve the work proposed each biennium. House Bill 12 represents your opportunity to review and approve the work for the coming biennium. I urge you to support this bill, and I will try to answer any questions you have. Thank you.

EXHIBIT 5
DATE 1-4-95
HB 12

January, 1995

SUMMARY OF PROJECTS UNDER HB 12

- **Montana Tech of the University of Montana**
  - **Mining Geology Building:** Upgrade heating and ventilation system controls, upgrade lighting, and add heat recovery ventilation.
  - **Central Heating Plant:** Add waste heat recovery from the exhaust gases to preheat the combustion air, upgrade boiler controls, and install small pony boiler for light load periods.
- **Montana State University at Billings**
  - **College of Technology Building:** Upgrade lighting and temperature control system, replace existing rooftop heating and ventilation systems, and rebalance heating and ventilation system.
  - **Physical Education Building:** Upgrade lighting system, replace existing motors with high efficiency motors, insulate pipes and boiler feedwater unit, install condensate return system from the main air handler pre-heat coil, modify boiler controls, expand the control function of existing energy management system, modify domestic hot water heating and laundry water system, add pool cover, and revise humidity control in pool area.
- **University of Montana at Missoula**
  - **College of Technology Building:** Upgrade temperature controls for heating and ventilation systems, convert electric resistance heating and electric domestic hot water heating to natural gas fired systems, and upgrade lighting.
- **Veterans' Home, Columbia Falls:** Upgrade fluorescent lighting fixtures and replace incandescent fixtures, upgrade control of mechanical systems to allow for nighttime setback, replace high KW electrical kitchen appliances including: ovens, griddle, frier and convection oven with gas fired appliances, replace electric commercial type dryer with gas fired type, and increase boiler combustion air and pre-heat combustion air with an air-to-air heat recovery system using hot exhaust gases from boiler stack.

- **Kalispell National Guard Armory:** Replace the boiler and domestic hot water heater with new high efficiency pony boilers, and replace thermostats with day/night thermostats.

- **Helena National Guard Armory:** Replace thermostats controlling the steam radiators with day/night thermostats, install a automatic damper control system to close the outside air dampers to the drill area when heating is required and replace standard fluorescent fixtures with new high efficiency electronic ballasts and T-8 lamps.

- **Capitol Complex:**

  - **Scott Hart Building:** Upgrade the heating system to allow the building to be heated with the new, energy efficient boiler that was recently installed, install a cooling tower to provide cooling water to the chillers, install new high efficiency motors and new temperature controls for the air handling systems in the newer section of the building, rebalance air handling systems to provide the required air flow in building, replace existing lighting with new high efficiency electronic ballasts and T8 lamps, reduce window area by 60% by installing R19 insulated panel, and remove remaining single pane windows and install low E, thermal-pane windows.

  - **Office of Public Instruction Building:** Replace rooftop heating units, upgrade lighting.

  - **Mitchell Building:** The Mitchell Building lighting system has been completely upgraded this past year. Current analysis is looking to reduce the cost of operating this building's HVAC systems as well as other components of the facility.

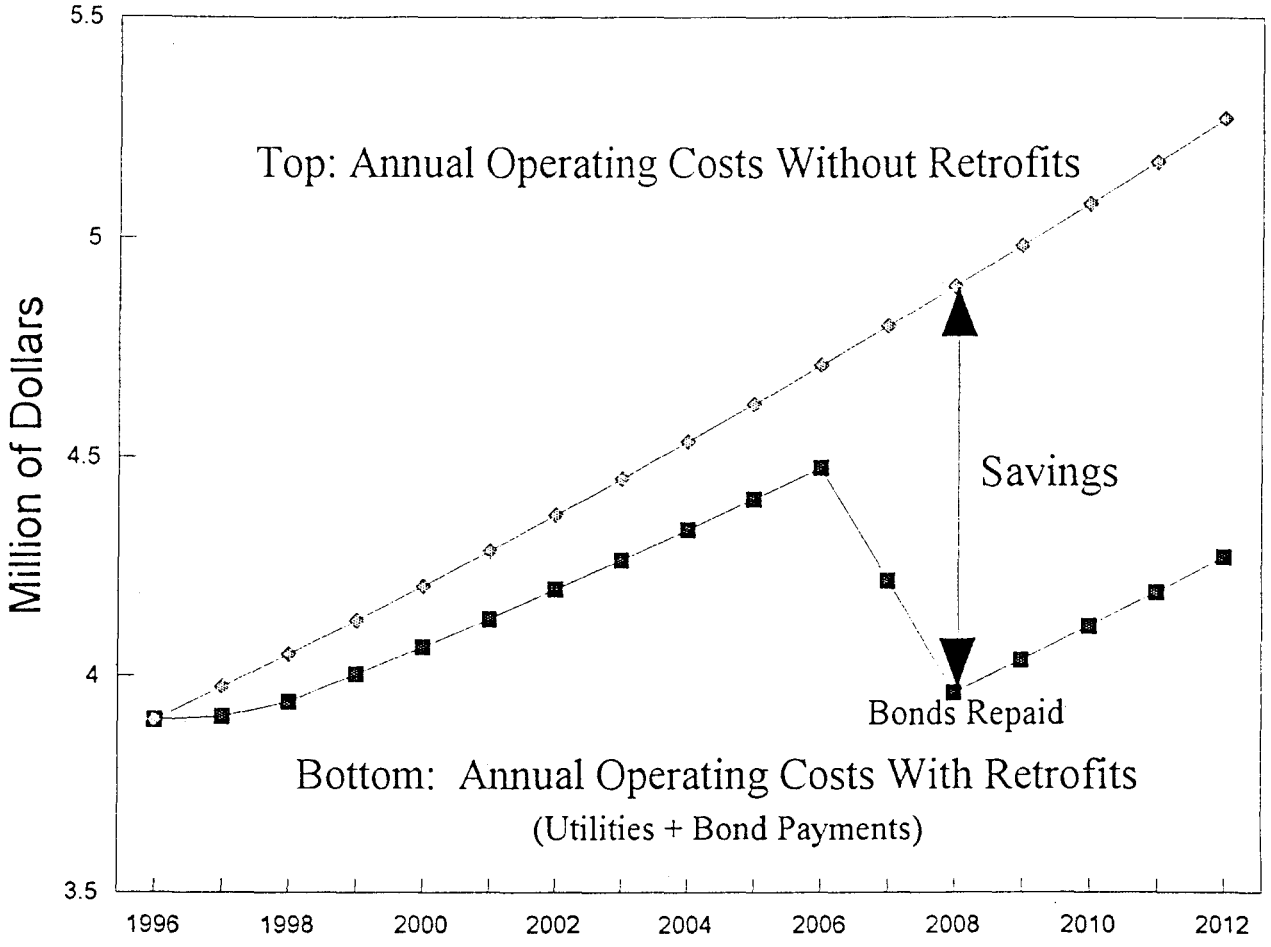
  - **State Capitol:** Upgrade the existing mechanical air handling equipment with variable air volume systems and new temperature control systems, upgrade lighting systems with high efficiency electronic ballasts and T8 lamps, compact fluorescent lamps and new metal halide fixtures. This project will be coordinated with any major renovation and restoration work.

EXHIBIT 5
DATE 1-4-95
HB 12

Table 1
STATUS OF PROJECTS SEPTEMBER 1, 1994

PROJECTS COMPLETED	LOCATION
Montana State Hospital	Warm Springs
Center for Aged	Lewistown
SRS Headquarters	Helena
School for Deaf and Blind	Great Falls
U of M Campus Lighting	Missoula
Brockman Center, MSU	Havre
Physical Education, MSU	Havre
National Guard Armory	Hamilton
National Guard Armory	Sidney
National Guard Armory	Miles City
Eastmont Services	Glendive
Pine Hills School	Miles City
Cogswell Building	Helena
SRS - Lights	Helena
Mitchell Building - Lights	Helena
Cogswell Building - Lights	Helena
Montana State Hospital	Galen
Mansfield Library, UM	Missoula
PROJECTS IN DESIGN/CONSTRUCTION	
Student Union Building, UM	Dillon
Field House, UM	Missoula
Health Science, UM	Missoula
Old Business Administration, UM	Missoula
Screiber Gym, UM	Missoula
Central Plant, UM	Missoula
Pharm/Psych Building, UM	Missoula
Social Science Building, UM	Missoula
Music Building, UM	Missoula
Performing Arts Building, UM	Missoula
Liberal Arts Building, MSU	Billings
Science Complex, UM	Missoula
Special Ed Building, MSU	Billings
PROJECTS BEING STUDIED	
National Guard Headquarters	Helena
National Guard Armory	Kalispell
Mining/Geology, UM	Butte
Heating Plant, UM	Butte
Veterans Home	Columbia Falls
Scott-Hart Building	Helena
State Capitol Building	Helena

Projected Savings From HB 12



Fuel Cost Escalation Rate = 1.9% (Fuels Producer Price Index, compounded annual growth rate, Source: Fig 9, Attachment A, MPC's Load Forecast and ILCRP, Technical Appendix, March 1993.)

EXHIBIT 6
DATE 1-4-95
HB 12

1/4/95

MONTANA POWER COMPANY
TESTIMONY ON HOUSE BILL 12

Introduction

My name is Joe Schwartzenberger. I am Director of Demand Side Management Engineering for Montana Power Company and am here to testify in support of House Bill 12 authorizing bonding authority for the State Buildings Energy Conservation Program.

The department in which I work, Energy Services, is responsible, among other things, for designing and implementing Montana Power Company's electric demand side management programs. Demand side management is a general term used to describe actions taken by utilities to influence the way their customers use energy. By influencing electric use, utilities can defer the need for more expensive additional electric resource. Electric conservation is one demand side management strategy that can cost effectively defer the need for new electric resources.

Using various mechanisms, including co-funding of projects, our programs encourage cost effective electric conservation upgrades in our customers' facilities. Over the past couple of years we have co-funded conservation projects along with the State Building Energy Conservation Program at several State facilities.

Our demand side management program budget for the commercial and industrial customer classes for 1995 is approximately $7.8 million. A significant portion of this will be invested directly in efficiency upgrades in our customers' facilities.

Benefits

From our point of view, the State Buildings Energy Conservation Program provides significant benefits.

* The program stimulates partnerships between the public and private sectors. Through these partnerships innovative programs to encourage energy efficiency have been designed.

* The program encourages the public and private sectors to work together to identify and prioritize energy conservation projects in State facilities. This cooperative effort serves to advance the goals of both sectors.

* The program allows for leveraging of private sector funding so a greater number of facilities are affected.

* Multiple funding sources allow for a greater number of efficiency measures to be implemented.

This strategic use of public and private resources maximizes the long term benefits to the residents of Montana by acquiring cost effective electric resource for Montana Power Company and reducing the operating costs associated with State facilities.

Project Case Study

The retrofit project recently completed at the Cogswell Building in the Capital Complex illustrates the project specific benefits of the State Building Energy Conservation Program.

The Cogswell Building is a 100,000 ft^2 facility with approximately 70% office space and 30% laboratory space. This facility is the work place for about 300 State employees.

The energy conservation project was done in two phases, both completed in 1994. The project affected most equipment and systems in the facility. A more detailed description of the project economics and specific measures implemented is provided in the handout.

Funding was provided by the State Buildings Energy Conservation Program and Montana Power Company's Efficiency Plus Business Partners Program. By utilizing both sources of funding, the Cogswell project was able to incorporate all recommended measures which would not have been the case had only one funding source or the other been available.

A reduction in facility operating costs for the people of Montana represent a significant portion of the benefits associated with this project. However, there are other benefits in addition to the efficiency gains. For example:

* Lighting levels in the facility are increased.
* Lighting quality in the facility is improved.
* Temperature control is improved.
* Indoor Air Quality in the facility is improved.

Summary

The State Buildings Energy Conservation Program has proven to be a valuable tool in funding energy conservation projects in State facilities. Because it fosters partnerships between the public and private sectors, and utilizes funds from both, more conservation measures are implemented in more State facilities and more savings occur for the people of Montana.

I encourage you to support House Bill 12 and would be happy to try to address any questions may you have.

EXHIBIT 6
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MONTANA POWER COMPANY
HOUSE BILL 12
HANDOUT

SUMMARY OF BENEFITS - GENERAL

* The program stimulates partnerships between the public and private sectors. Through these partnerships innovative programs to encourage energy efficiency have been designed.

* The program encourages the public and private sectors to work together to identify and prioritize energy conservation projects in State facilities. This cooperative effort serves to advance the goals of both sectors.

* The program allows for leveraging of private sector funding so a greater number of facilities are affected.

* Multiple funding sources allow for a greater number of efficiency measures to be implemented.

THE COGSWELL BUILDING PROJECT

Measures Implemented

* The heat source for production of distilled water for the lab was switched from electricity to natural gas
* The electric hot water heater serving the lab was removed
* Heating, Ventilating and Air Conditioning, domestic hot water and lighting system controls were upgraded
* The low pressure boiler was fit with a power burner
* The Heating Ventilating and Air Conditioning systems for wings A ,B and C were upgraded
* The existing high pressure boiler was replace with a more efficient boiler
* Lighting throughout the facility was replaced with more efficient equipment

Project Economics

Project Cost	$310,000
Montana Power Company Funding	$ 90,000
State Buildings Program Funding	$220,000
Estimated First Year Utility Savings	$ 35,000

Project Specific Benefits

* Reduced building operating costs
* Increased lighting levels
* Improved lighting quality
* Improved Temperature Control
* Improved Indoor Air Quality

EXHIBIT #7
DATE 1-4-95
HB 12

Testimony in Support of HB 12
Energy Bond Program for DNRC
General Services Division
January 4, 1995

I'm Debra Fulton, Administrator of the General Services Division of the Department of Administration. The Department of Administration supports HB 12 - the energy bond program. The General Services Division has completed three projects on the Capitol Complex through this program, and two more are currently in the design phase.

In partnership with DNRC, we have performed energy retrofits in the SRS, Mitchell and Cogswell Buildings. We are very pleased with the results of the program in these facilities.

Prior to the work, SRS was an uncomfortable, energy guzzling facility. The rooftop units were approaching the end of their projected useful life, and the cost to replace them without improvements in the ventilating system was estimated at $200,000. Tenants were constantly complaining about being too hot, too cold, or not receiving enough fresh air. We were very concerned about how we would pay for new units should the existing ones fail. Because of this program, we have new equipment in the building with a projected useful life of at least 20 years, and, most important to a facility manager, our tenants now work in a comfortable environment. We have a better, more economical facility and the state is saving money.

The most recent project we have completed in this program involves an energy retrofit to the Cogswell Building which houses the Department of Health and Environmental Sciences. We have had serious equipment problems in this facility. The high pressure boiler in the Cogswell was very inefficient from an energy standpoint, and it was barely passing safety inspections. Boilers are usually inspected annually by the insurance inspector. This boiler had to be shut down every 60 days for an internal inspection or the boiler would be condemned. This inefficient boiler tried to supply the steam and distilled water for the program needs of the Dept. of Health. By retrofitting this facility, we combined energy savings with savings from avoiding future equipment costs. Labs on the second floor now have hot water when they need it, and adequate lighting in their work areas.

The Mitchell Building recently underwent a lighting retrofit, and we will be happy to discuss the success of that project with you in the next session.

This bill asks you to approve energy retrofits in the Scott Hart Building, which sadly needs new lighting and windows and a cooling tower to avoid the current costs of literally dumping cooling water down the drain. It requests approval for work in the Capitol as a part of the Capitol renovation. OPI is also targeted for work in the biennium. In that facility, the rooftop units are over 40 years old and we are no longer able to obtain replacement parts for them. It also requests studies for the heating system in the Mitchell Building.

We believe that this is an important and efficient program for buildings and represents the best of good government. Our agencies

work together and with Montana Power to leverage maintenance and energy dollars resulting in cost savings to the taxpayer, and more comfortable facilities for state employees. We hope that you will agree with us and support its continuation.